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APR 17 '06 PM 12:57 BDA

April 2, 2006

Ms. Mary Rupp,  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria VA 22314-3428

Dear Ms. Rupp:

RE: Comments on Part 715 Advance Notice of Proposed Ruling (ANPR), Supervisory Committee Audits

Thank you for this opportunity for the Supervisory Committee of Tampa Bay Federal Credit Union to comment on the NCUA Board's ANPR on Part 715 of the NCUA Rules and Regulations. We believe there are several areas of significant change being proposed and we have commented on those questions most important to our Committee.

#### Internal Control Assessment and Attestation

1. Should Part 715 require, in addition to a financial statement audit, an "attestation on internal control" over financial reporting above a certain minimum asset size threshold? Explain why or why not. *Credit unions are presently the most highly regulated financial institutions in America. Adding an additional layer of regulations seems inappropriate. However, many of our industries detractors continue to point to some of the differences between credit unions and banks, telling Congress that credit unions are not as sophisticated as other institutions. Perhaps if we are subject to another Bank-like regulatory requirement, they will tone down the rhetoric. For this reason it makes sense.*

*On the other hand, the CPA firm that presently conducts our annual opinion audit has indicated that the cost of the attestation will be approximately equal to the expense we now incur for the audit they perform. Is this level of expense really necessary, given the level of oversight we are already subject to?*

*A lower cost option may be an approach used by the CPA profession, the Internal Audit profession, as well as local government – Peer Review. The Peer Review could be conducted each three years, giving ample time for corrective action as appropriate. The NCUA (or perhaps the Association of Credit Union Internal Auditors) could serve as a clearing house for credit union volunteers and professionals who want to participate in the Peer Review and make up a Review Team. The individual credit union undergoing the Peer Review would pay the travel and living expenses for the team of volunteers. This would provide developmental opportunities for many in the credit union movement and help keep the costs of Attestation at a minimum.*

2. What minimum asset size threshold would be appropriate for requiring, in addition to a financial statement audit, an "attestation on internal controls" over financial reporting, given the additional burden on management and its external auditor? Explain the reasons for the threshold you favor. *It appears that the SEC is in the process of evaluating its comparable rule (Section 404), to raise the trigger for Attestation to public corporations with market capitalization of \$787 million or more. That level seems appropriate for credit unions. This will only impact a small number of very large credit unions.*

3. Should the minimum asset size threshold for requiring an "attestation on internal controls" over financial reporting be the same for natural person credit unions and corporate credit unions? Explain why. *No Response.*

4. Should management's assessments of the effectiveness of internal controls and the attestation by its external auditor cover all financial reporting, (i.e., financial statements prepared in accordance with GAAP and those prepared for regulatory reporting purposes), or should it be more narrowly framed to cover only certain types of financial reporting? If so, which types? *No Response.*

5. Should the same auditor be permitted to perform both the financial statement audit and the "attestation on internal controls" over financial reporting, or should a credit union be allowed to engage one auditor to perform the financial statement audit and another to perform the "attestation on internal controls"? Explain the reasons for your answer. *While we believe the Peer Review process, as mentioned in item 1 above, would be more effective and cost efficient, should an outside firm be required, then, yes, the same audit firm should be permitted to perform both the financial statement audit and the attestation. And, if the Agency sees a need to provide the flexibility to use a different firm, that can work, but at a significantly greater cost to our members. We believe that using the same firm will reduce the cost of securing the attestation.*

6. If an "attestation on internal controls" were required of credit unions, should it be required annually or less frequently? Why? *Less frequently than annually. We urge the Agency to consider a 24 to 36 month cycle. This would give credit unions time to address any discrepancies and affect more appropriate internal controls.*

7. If an "attestation on internal controls" were required of credit unions, when should the requirement become effective (i.e., in the fiscal period beginning after December 15 of what year)? *For audits conducted after December 15, 2008. This would give credit unions ample time to complete a self-examination and take appropriate corrective action before full implementation by the Agency.*

## Standards Governing Internal Control Assessments and Attestations

8. If credit unions were required to obtain an "attestation on internal controls," should part 715 of the PCAOB's AS 2 standard that applies to public companies, or to the AICPA's revised AT 501 standard that applies to non-public companies? Please explain your preference. *No Response.*

9. Should NCUA mandate COSO's Internal Control – Integrated Framework as the standard all credit union management must follow when establishing, maintaining and assessing the effectiveness of the internal control structure and procedures, or should each credit union have the option to choose its own standard? *No Response.*

## Qualifications of Supervisory Committee Members

10. Should Supervisory Committee members of credit unions above a certain minimum asset size threshold be required to have a minimum level of experience or expertise in credit union, banking or other financial matters? If so, what criteria should they be required to meet and what should the minimum asset size threshold be? *In general, we think such a requirement would make it even more difficult to find “volunteers” for the role of Supervisory Committee Member. And, no similar requirement exists for members of the board of directors. However, there is merit for some level of expectation, perhaps at the same level of assets that the attestation is required. At the point that a credit union has reached the need for an Internal Audit Staff, may be a time to consider a requirement that committee member(s) have some level of experience / expertise.*

*We suggest that this requirement be limited to a majority of the committee’s members and that the committee members meet the requirement by having completed the requirements for a related university degree or maintaining a professional certification such as Certified Internal Auditor, Certified Fraud Examiner, Certified Public Accountant, etc. The committee (or board of directors) should be given the latitude to establish the committee members’ credentials, including a minimum level of experience in another credit union volunteer capacity or expertise in relevant areas such as Investigative Agency/Authority, Information Technology, Business Resumption, Finance, etc.*

11. Should Supervisory Committee members of credit unions above a certain minimum asset size threshold be required to have access to their own outside counsel? If so, at what minimum asset size threshold? *We are confused by the wording “...have access to....” If this means that the credit union would finance different outside counsel to advise the board and the supervisory committee, as appropriate, that seems reasonable. On the other hand, if individual committee members will be required to retain their own, individual outside counsel as an expectation to serve, that would be particularly onerous. It may be important for the Agency to clarify how the committee could have the spending authority to retain outside counsel.*
12. Should Supervisory Committee members of credit unions above a certain minimum asset size threshold be prohibited from being associated with any large customer of the credit union other than its sponsor? If so, at what minimum asset size threshold? *No.*
13. If any of the qualifications addressed in questions 10, 11 and 12 above were required of Supervisory Committee members, would credit unions have difficulty in recruiting and retaining competent individuals to serve in sufficient numbers? If so, describe the obstacles associated with each qualification. *Yes, it is likely that it will become more difficult to recruit and retain competent committee members. Most individuals with credit union or banking experience are employed in those industries – conflicts of interest would likely exist. If committee members were expected to pay for outside counsel from their personal resources, that would close the door for many potential volunteers.*

## Independence of State-Licensed, Compensated Auditors

14. Should a State-licensed, compensated auditor who performs a financial statement audit and/or “internal control attestation” be required to meet just the AICPA’s “independence” standards, or should they be required to also meet SEC’s “independence” requirements and interpretations? If not both, why not? *No Response.*

## Audit Options, Reports and Engagements

15. Is there value in retaining the “balance sheet audit” in existing §715.7(a) as an audit option for credit unions with less than \$500 million in assets? *No Response.*
16. Is there value in retaining the “Supervisory Committee Guide audit” in existing §715.7(c) as an audit option for credit unions with less than \$500 million in assets? *No Response.*
17. Should part 715 require credit unions that obtain a financial statement audit and/or an “attestation on internal controls” (whether as required or voluntarily) to forward a copy of the auditor’s report to NCUA? If so, how soon after the audit period-end? If not, why not? *Credit unions are not required to provide financial statement audits to the NCUA. In the spirit of “paper work reduction,” it does not appear that there is a need. The attestation would be available to examiners during the normal examination cycle. It has been our experience that examiners use information contained in the external (and internal) audit reports in their examination reports.*
18. Should part 715 require credit unions to provide NCUA with a copy of any management letter, qualification, or other report issued by its external auditor in connection with services provided to the credit union? If so, how soon after the credit union receives it? If not, why not? *No, in the spirit of “paper work reduction,” it does not appear that there is a need. This information is available to examiners during the normal examination cycle. It has been our experience that examiners use information contained in the external (and internal) audit reports in their examination reports.*
19. If credit unions were required to forward external auditors’ reports to NCUA, should part 715 require the auditor to review those reports with the Supervisory Committee before forwarding them to NCUA? *Yes.*
20. Existing part 715 requires a credit union’s engagement letter to prescribe a target date of 120 days after the audit period-end for delivery of the audit report. Should this period be extended or shortened? What sanctions should be imposed against a credit union that fails to include the target delivery date within its engagement letter? *The current process seems to work well. If the Agency is experiencing anomalies in the process, they should deal with those offending credit unions.*
21. Should part 715 require credit unions to notify NCUA in writing when they enter into an engagement with an auditor, and/or when an engagement ceases by reason of the auditor’s dismissal or resignation? If so in cases of dismissal or resignation, should the credit union be required to include reasons for the dismissal or resignation? *No. The process in place today is working and this puts another layer of regulation on credit unions that seems unnecessary. What problem would this new requirement address?*
22. NCUA recently joined in the final Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions in External Audit Engagement Letters, 71 FR 6847 (Feb. 9, 2006). Should credit union Supervisory Committees be prohibited by regulation from executing engagement letters that contain language limiting various forms of auditor liability to the credit union? Should Supervisory Committees be prohibited from waiving the auditor’s punitive damages liability? *No. The process in place today is working and this puts another layer of regulation on credit unions that seems unnecessary. What problem would this new requirement address?*



consider our comments in the cooperative spirit with which they are intended. And, please pass along **Thank You** to the individual Board Members for the fine job they do balancing the need for regulatory oversight with the financial needs of credit union members throughout the country.

Respectfully,

A handwritten signature in black ink that reads "Betty Coleman". The script is cursive and fluid.

Betty Coleman

Supervisory Committee Chairwoman

Supervisory Committee

Board of Directors

Dale F. Schumacher, President / CEO